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HOUSEHOLD INVESTORS IN RENTAL DWELLINGS

INTRODUCTION

The private rental market provided housing for about 20% of Australian households in 1995-96. It was the second largest source of housing after home ownership. In size, the private rental market far outweighed the public housing sector, which accommodated 6% of Australian households.

The private rental market provides housing for a wide variety of Australian households. Apart from the low income groups who may not be able to purchase their own homes, rental housing is often a first step to independence for young people who are between stages of living with parents and buying their own home. There are also many other households who live in rental housing by choice.

Private rental housing is provided by a diverse group of residential property owners such as private householders, non-profit institutions, employers and corporations. The largest group, private householders, provided rental housing for about 60% of households who rented in the private market in 1995-96.

PROFILE OF HOUSEHOLD INVESTORS

In June 1997, about 584,200 income units owned or partly owned residential rental property. These rental investors represented 6.5% of all income units living in private dwellings in Australia (table 8.7). As landlords they constituted a diverse group in terms of their age, income, labour force status and family status. However, certain patterns of investment were distinguishable for different groups.

Age

Ownership of investment property increased through the prime working years of reference persons in income units. About 4% of income units with the reference person aged 18-34 years were investors, increasing to 9% of those where the person was aged 35-44, and 12% of those where the person was aged 45-54. The incidence of ownership of rental property declined in the pre-retirement years and was 3% for those with a reference person aged 65 years and over.

8.7 INVESTOR INCOME UNITS, By Age Of Reference Person - June 1997

Type of income unit			Investors as a % of all income units
Couples	Lone person	All investors(a)	

Age of reference person	'000	'000	'000	%
18-34	61.5	49.0	113.4	3.6
35-44	128.9	21.9	155.5	9.1
45-54	144.8	27.1	177.6	12.3
55-64	73.5	13.9	88.1	9.0
65 and over	32.2	17.4	49.6	3.2
Total	440.9	129.3	584.2	6.5

(a) Includes one-parent investor income units.

Source: Unpublished data, Rental Investors Survey, June 1997.

Income unit type and income

As investor income units tended to have reference persons concentrated in the 35-64 years age group, they were also likely to be couple income units, many with children still at home. In June 1997, about 440,900 or 75% of investors were couples - 42% couples with dependent children and 33% couples without children.

Investor couples tended to have higher incomes than those couples who did not own rental properties. The median weekly income for couple investor units that did report income was \$1,162 per week (table 8.8). The median income for all couple units, whether investors or not, was \$766 per week in 1996-97. This higher median weekly income for investor couples reflects the fact that investor units are concentrated in the prime working age group. Almost 85% of these couples derived their principal source of income from wages and salaries or from their own business and a high proportion (68%) of investor couples also had both partners employed.

8.8 INVESTORS AND ALL INCOME UNITS, Median Weekly Income

Income unit type	Median weekly income	
	Investor income units \$	All income units \$
Couple	1,162	766
Lone person	666	302
All income units(a)	1,009	477

(a) Includes one-parent income units.

Source: Household Investors in Rental Dwellings, Australia, June 1997 (8711.0); and Income Distribution, Australia, 1996-97 (6523.0).

Lone person income units formed a much smaller group of investors, with about 129,300 owning residential rental properties in June 1997. Like their couple counterparts, the majority (79%) of these single investors were employed.

However, lone person investor units tended to have higher proportions of people in the elderly and young age groups than couple investors (table 8.7). There were 13% of one-person investor units aged 65 years and over compared to 7% of investor couples with the reference person in this age group. With the younger groups, almost 38% of lone person investor units were aged under 35 years compared with 14% of reference persons for the couple investors. Unlike couple investor units who were mainly home owners, about 60% of these young single investors were living rent free or paying rent to someone else in the household. Almost all of these were living with their parents and some may have been leasing out properties they were buying as future homes.

MOTIVATION FOR INVESTMENT

Despite the diverse demographic profile of investors, they shared some common reasons for investing. Most investors (66%) stated that one of the reasons considered when purchasing a property was that it provided a secure long-term investment.

8.9 REASONS FOR INVESTING IN MOST RECENTLY ACQUIRED PROPERTY - June 1997

Reasons for investing in or renting out most recently acquired property(a)									
Age of reference person	Long-term investment %	Negative gearing %	Rental income %	Possible future home %	Capital gain %	Unable to sell %	Family reasons %	Other %	Total investor income units '000
18 to 34	66.5	18.4	10.1	20.9	9.8	8.2	(b)2.0	6.8	113.4
35 to 44	68.7	20.3	12.2	16.3	9.6	6.7	(b)2.9	7.8	155.5
45 to 54	66.4	15.8	13.7	10.6	9.2	7.0	5.2	7.6	177.6
55 to 64	66.9	11.5	21.3	13.2	8.5	(b)4.2	9.9	7.4	88.1
65 and over	53.9	(b)2.2	29.9	12.0	(b)2.4	(b)7.0	(b)9.7	(b)8.7	49.6
Total	66.0	15.7	15.1	14.6	8.8	6.8	5.0	7.6	584.2

(a) Proportions will not add to 100% since respondents were asked to report all factors considered for investing.

(b) The estimate has a relative standard error of 25% to 50%.

Source: Household Investors in Rental Dwellings, Australia (8711.0).

The less frequently reported reasons for investing tended to differ with the age of the investors. For example, about 20% of investors under 45 years of age stated they were keen to reduce tax through negative gearing. The importance of negative gearing declined with the age of the reference person, with a negligible proportion aged 65 years and over citing this as a consideration in their investment decisions. For this older group of investors, the receipt of rental income was more important and cited as an investment motive by almost 30%.

As noted above, many younger investors were renting properties that might constitute a future home for them. Almost 21% of investor units with reference persons under the age of 35 held residential rental properties with this option in mind. Even for the older age groups, this was still

an important consideration.

There was also a group of 'reluctant investors' - with 7% of investors stating that their properties were being rented because they wanted to sell, but were unable to find a buyer.

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